



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20350-1000

SECNAVINST 4440.32A

ASN(RD&A) APIA-PP

27 September 1991

SECNAV INSTRUCTION 4440.32A

From: Secretary of the Navy

Subj: CONTROL OF CONTRACTOR ACCESS TO DOD MATERIAL INVENTORIES
AND DETERMINATIONS FOR THE SUPPLY OF GOVERNMENT FURNISHED
MATERIAL

Ref: (a) DOD Instruction 4140.48 of 6 Mar 86 (NOTAL)
(b) NAVSUP Pub 437 (MILSTRIP/MILSTRAP) (NOTAL)
(c) SECNAVINST 5200.35C of 7 Jan 91, Subj: Department
of the Navy Management Control Program (NOTAL)
(d) Federal Acquisition Regulation (FAR) and the DOD
FAR Supplement (DFARS)
(e) Navy Acquisition Procedures Supplement, Oct 90

Encl: (1) Government Furnished Material (GFM) Status Report,
DD Form 2543
(2) Inventory Control Points Government Furnished
Material Status Report

1. Purpose

a. To implement the policy, procedures and responsibilities
in reference (a) for controlling and monitoring Government
Furnished Material (GFM) issued from supply system inventories.

b. To ensure that:

(1) no GFM is provided to contractors unless such action
is clearly in the best interest of the U.S. Government;

(2) contractors are not allowed direct access to the
Department of Defense Supply System (DOD SS) for GFM;

(3) GFM to be provided to contractors is identified by
National Stock Number (NSN) and quantity or specified level in
the contract or modification;

(4) all requisitions for GFM to be provided to
contractors are validated to ensure they are contractually
authorized; and

(5) all GFM requisitions into the DOD SS originated by a
contractor or to be shipped to a contractor will be validated
under reference (b).



0 5 7 9 L D 0 5 5 6 8 2 0

27 SEP 1991

2. Cancellation. SECNAVINST 4440.32.

3. Applicability. This instruction applies to

- a. Requiring activities.
- b. Department of the Navy (DON) Contracting Officers (COs).
- c. DON Contract Administration Offices (CAOs).
- d. Inventory Managers (IMs) and Inventory Control Points (ICPs).
- e. DON Management Control Activities (MCAs).

4. Definitions

a. Government Furnished Material (GFM). Property provided by the government for the purpose of being incorporated into or attached to a deliverable end item or that will be consumed or expended in performing a contract. GFM includes assemblies, components, parts, raw and process material, and small tools and supplies that may be consumed in normal use in performing a contract (FAR 45.301). It also includes items cited on allowance list such as Support Material Lists (SMLs), Interim Support Items Lists (ISIL), Coordinated Shipboard Allowance Lists (COSAL) material awaiting loadout, and Installation and Check-Out (INCO) Kits. GFM does not include material provided to contractors on a cash sale basis nor does it include agency peculiar/military property which is government owned components or major end items being repaired by commercial contractors for return to the government.

b. Requiring Activity. A Department of the Navy (DON) activity responsible for making and justifying the decision to provide GFM, and for identifying and authorizing items of GFM to be provided.

c. Management Control Activity (MCA). A DON activity, or DoD activity delegated by DON, designated in the contract to validate contractor requisitions to obtain material from the DOD SS against contractually specified requirements. The MCA also validates DoD submitted requisitions where the material will be shipped to the contractor.

27 SEP 1991

5. Policy

a. It is DON policy that contractors shall provide all material required for the performance of contracts except when it is determined by the DON that to furnish such material would achieve significant economy, standardization, expedited production, or when it is otherwise in the government's best interest.

b. To the maximum extent that it is economically advantageous for the government to do so, excess DOD SS inventories will be provided as GFM.

c. Any decision to provide a readily available commercial item as GFM requires detailed analysis and written justification approved by the commander of the requiring activity, or a designated representative, as being in the best interest of the government.

d. Under references (a) through (c) DON management control activities will control access to DoD SS material inventories for GFM required by contractors.

(1) All material requisitions and supply directives, whether initiated by the contractor or by a government activity, must comply with contractually authorized levels.

(2) All requisitions for GFM will be validated by the MCA. Any requisitions not validated will not be filled. The MCA function will be performed by the requiring activity unless its responsibilities are specifically delegated in the contract to a designated MCA.

6. Responsibilities

a. The Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)) shall issue acquisition and logistics policies required to control access to DOD material inventories and for the management and control of GFM in the possession of contractors.

b. The Assistant Secretary of the Navy (Financial Management) (ASN(FM)) shall develop the policy for financial management of GFM in the possession of contractors.

c. The Chief of Naval Operations and Commandant, Marine Corps shall develop and implement GFM management procedures which provide for:

27 SEP 1991

(1) The implementation of the provisions of paragraph 5(b) that enable the requiring activities to utilize excess material.

(2) The visibility of GFM assets from the DOD SS in the contractor's possession.

(3) The timely disposition of excess GFM in the contractor's possession.

d. The Commandant, Marine Corps (CMC), Commanders of Naval Systems Commands (SYSCOMs), Director, Strategic Systems Programs Office, Commander, Military Sealift Command, and Chief of Naval Research shall develop and implement procedures for the detailed responsibilities specified in the following paragraphs. For the purpose of this instruction Program Executive Officers and Direct Reporting Program Managers will coordinate implementing procedures with their supporting SYSCOM.

(1) The Requiring Activity will

(a) Determine if providing GFM is in the best interest of the government and thoroughly document the rationale/justification for this decision. Allowance lists, such as SMLs, ISILs, INCOS and COSALs which are prepared by the Navy, constitute full justification and documentation of the requirement.

(b) Screen DOD supply system material inventories to determine if contractor material requirements can be most economically provided as GFM from these sources of supply.

(c) Provide the contracting officer a detailed list of authorized GFM for inclusion in solicitations per Subpart 45.303-2 of reference (d). The list must identify GFM by NSN and quantity or specified level.

(d) Designate the MCA.

(e) Ensure that a system of management control is established with the following controls: (1) the system's data base is owned and maintained by the government; (2) a government employee is responsible and accountable for ensuring that contractually authorized GFM requirements are correctly entered and maintained in the data base, and (3) adequate systems designs prevent contractor alteration of the data base.

27 SEP 1991

(2) The MCA will

(a) Ensure that requisitions which furnish GFM to contractors from the supply system are screened to verify that they are within the contractually authorized levels of each contract.

(b) Pass or refer validated requisitions to the appropriate source for supply action. Reject requisitions which fail validation.

(c) Respond to MILSTRIP source of supply validation inquiries, following reference (b).

(d) Maintain the data base and provide reports to contract administration offices following enclosure (1). The reports shall be prepared for the periods ending March 31, June 30, September 30 and December 31.

(e) Maintain the data base and validate requisitions and shipments for material from the DoD SS which are requisitioned by a contractor or to be shipped to a contractor, against contractually specified requirements, following reference (b).

(3) Contracting Officers (COs) will

(a) Ensure that the MCA is identified in contracts which authorize GFM. Stipulate in the contract any permitted delegation of MCA responsibility. Include the MCA on distribution for all modifications related to GFM.

(b) Ensure that the list of identifiable GFM and applicable requisitioning procedures are included in the contract.

(c) Require in the contract that requisitions for GFM from the supply system requisitioned by a contractor, or shipped to a contractor must be submitted to the MCA.

(d) Provide the contractor with Defense Finance and Accounting Service (DFAS) approved Department of Defense Activity Address Code(s) DODAAC(s) for contracts which authorize GFM.

(e) Respond to DFAS requests for periodic validation of DODAACs.

27 SEP 1991

(f) Contact DFAS Washington Center to request a new or revised DODAAC; and notify DFAS Washington when a contract closes or when GFM is no longer authorized.

Address: DFAS Washington Center (OP)
Washington, D.C. 20376

(4) DON Contract Administration Offices (CAOs) will:

(a) Ensure that government material in the possession of contractors is accounted for as required by Subpart 45.5 of references (d) and (e).

(b) Ensure that contractors identify GFM in their possession which becomes excess to current contract requirements at the earliest opportunity.

(5) Navy Inventory Managers/Inventory Control Points (ICPs) will:

(a) Maintain files which document the quantity of material issued to contractors. The files will contain contract number, line item, requisition number, unit prices and all pertinent shipping and receipt information.

(b) Provide DON CAOs (e.g. SUPSHIPS) a quarterly report of GFM that was issued to the contract administration office or contractors monitored by the applicable CAO. This GFM status report shall be prepared for the reporting periods ending 31 March, 30 June, 31 September, and 31 December. It will follow enclosure (2). This applies to NAVSUP ICPs only.

(c) Following reference (b) procedures, process MCA referrals of GFM requisitions. Direct requisitions for GFM received from contractors or other sources will be rejected to the submitter as prescribed in reference (b).

(d) Generate MILSTRIP GFM referral validation inquiries, (Document Identifier AX1), to the appropriate MCAs as prescribed by reference (b).

(e) Assist requiring activities in determining potential GFM item availability, e.g. potential long supply or excess material which may be available during the life of the proposed contract.

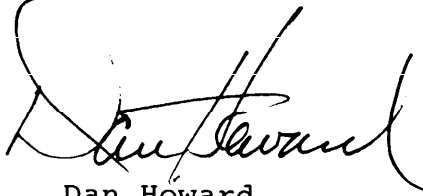
7. Action Implementation plans should be provided to ASN (RD&A) no later than 120 days after the date of this instruction.

27 SEP 1991

8. Report and Form

a. Report. Symbol DD-P&L(Q)1575(4440) applies to the reporting requirements of enclosures (1) and (2) and is approved for three years from the date of this instruction.

b. Form. DD 2543 (8-89), S/N 0102-LF-009-7200, is available in the Navy Supply System per NPFD P-2002D.



Dan Howard
Under Secretary of the Navy

Distribution:

SNDL A2A (Department of the Navy Staff Offices) (NAVCOMPT,
OGC, CNR, only)
A3 (Chief of Naval Operations) (OP-04, only)
A6 (CMC)

Copy to:

SNDL A1 (Immediate Office of the Secretary) (ASSTSECNAV FM,
ASSTSECNAV RD&A (40), only)
41A (Commander, Military Sealift Command) (8)
(Commanding General, Marine Corps Research
Development and Acquisition Command)
FKA1 (Systems Commands) (60), less FKAIC
FKAIC (COMNAVFAC SYSCOM) (8)
FKA8F (Strategic Systems Programs) (20)
V28 (Commanding General, Marine Corps Research,
Development and Acquisition Command) (20)

MARINE CORPS PCN 720000010300

SECNAV/OPNAV Directives Control Office
Washington Navy Yard, Building 200
Washington, DC 20374-5074 (20 copies)

Stocked:

Navy Aviation Supply Office
Physical Distribution Division Code 103
5801 Tabor Avenue
Philadelphia, PA 19120-5099 (100 copies)

GOVERNMENT FURNISHED MATERIAL (GFM) STATUS REPORT

REPORT CONTROL SYMBOL

1. DATE PREPARED (YYMMDD)

2. REPORTING PERIOD

a. FROM (YYQ)

b. TO (YYQ)

3. MANAGEMENT CONTROL ACTIVITY (MCA)

PART I - SHIPMENTS OF GFM TO CONTRACTORS

4. CONTRACT NO. / CONTRACT BASIC LINE ITEM NO.	5. CONSIGNEE	6. NSN / PART NO.	7. DOCUMENT NO. (MILSTRIP Requisition No.)	8. UNIT OF ISSUE	9. QUANTITY SHIPPED	10. DATE SHIPPED (YYMMDD)	11. UNIT PRICE	12. EXTENDED \$ VALUE

PART II - REQUISITIONS REJECTED

13. CONTRACT NO. / CONTRACT BASIC LINE ITEM NO.	14. CONSIGNEE	15. NSN / PART NO.	16. DOCUMENT NO. (MILSTRIP Requisition No.)	17. UNIT OF ISSUE	18. QUANTITY REJECTED	19. DATE REJECTED (YYMMDD)	20. UNIT PRICE	21. EXTENDED \$ VALUE	22. REJECT STATUS CODE (MILSTRIP Status Code)

SAMPLE

Enclosure (1)

27 SEP 1991

SECNAVINST 4440.32A

INVENTORY CONTROL POINTS GOVERNMENT FURNISHED MATERIAL (GFM) STATUS

REPORTING PERIOD: FROM _____ TO _____
DATE _____
RCS _____
DOD COMPONENT _____
PAGE _____

SHIPMENT OF GFM TO CONTRACTORS (Part I)

REQUISITION NO.	CONTRACT NO.	NATIONAL STOCK NO.	NO. UNITS	QTY SHPD	DATE SHPD	UNIT COST	EXTENDED DOLLAR VALUE
--------------------	-----------------	-----------------------	-----------	----------	--------------	--------------	-----------------------------